

What Do You Think About Climate Finance?

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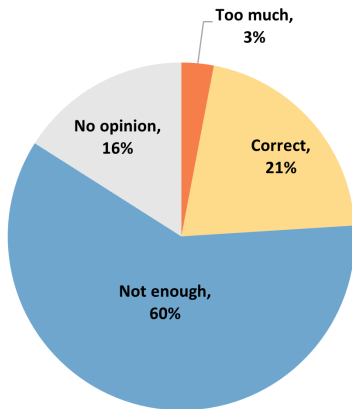
October 2021
Banco Central de Chile
Macroeconomic and Financial Implications of Climate Change

Climate Change Risk (Stroebel and Wurgler, JFE 2021)

- Sheds light on perceived relative importance of climate risks, pricing, discount rates, and catalysts of change
- Survey of selected 861 finance academics, professionals, and public sector regulators and policy makers
 - 55% Faculty; 9% Public Sector; 36% Private Sector
 - 72% North America, 14% Europe, 7% Asia, 7% ROW
 - 59% Work in Climate Finance
 - Concerned about the Climate: 59% High; 31% Low

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- In the stock markets most familiar to you, how do prices currently reflect climate-related risks?

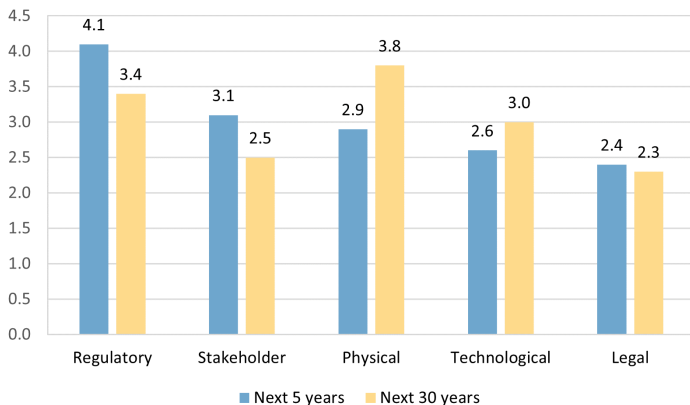


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- Similar responses in real estate markets and insurance markets
- Broadly similar across roles: “Not enough” highest among private sector participants (73%); lowest among faculty (54%)
- People working on climate finance topics more convinced it's not correctly priced (68% vs. 49%)

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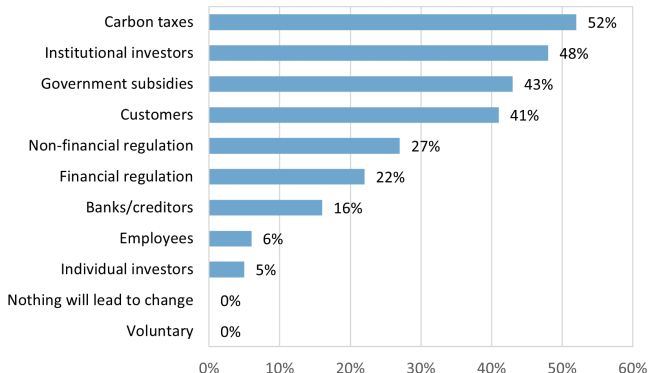
- “Please rank the general importance of these climate-related risks to typical businesses and investors over the next 5/30 years”
 - Displaying the average rank [5 = Most Important; 1 = Least Important]



→ While regulatory risk is perceived as most important in the next five years, physical risk is the most important within 30 years

Climate Change Risk (Stroebe and Wurgler, JFE 2021)

- “Which mechanisms do you think are most important in moving corporations to reduce their climate risk exposures and/or carbon footprints?”
 - Displaying % in top-3 [Choose at most three]



→ Several potential catalysts of transitional climate risk realizations

Climate Change Risk (Stroebe and Wurgler, JFE 2021)

- Private sector views institutional investors and customers as strongest force for change
- Public sector views carbon taxes and government subsidies as strongest force

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- Private sector views institutional investors and customers as strongest force for change
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- Top research topics that should be studied:
 - Effects of government incentives to mitigate/adapt to climate change
 - Pricing of climate risk in financial markets
 - Effect of climate change on financial stability